

Lakeview District Fire Department
Montcalm County, Michigan
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended February 29, 2008

Lakeview District Fire Department

List of Appointed Officials

Chairman:	Larry Gilbert
Treasurer:	Todd Lincoln
Board Members:	Ed Hansen
	Carl Thompson
	Steve Fisk
	John Lucas
Fire Chief.....	Clark Newell

Lakeview District Fire Department

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INDEPENDENT AUDITOR'S REPORT

August 25, 2008

Fire Department Board
Lakeview, Michigan

I have audited the accompanying financial statements of the governmental activities of the Lakeview District Fire Department as of and for the year ended February 29, 2008, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lakeview District Fire Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Lakeview District Fire Department, as of February 29, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan CPA Services, PLLC

August 25, 2008
Ludington, Michigan

Lakeview District Fire Department

Management's Discussion and Analysis For the Year Ended February 29, 2008

The Management's Discussion and Analysis report of the Lakeview District Fire Department covers the Department's financial performance during the year ended February 29, 2008.

Financial Highlights

Our financial status reflected an increase in net assets over the prior year, due to total governmental revenues exceeding expenditures in the statement of activities. The Department purchased a new pumper and a new tanker truck, using a prior year down payment, current year resources, an additional contribution from Cato Township in the current fiscal year and proceeds from a bank loan. The General Fund reflected expenditures in excess of revenues by \$107,450, which was due to the purchase of the vehicles.

Net capital assets at February 29, 2008 totaled \$378,059, compared to \$102,618 the prior year. Long-term debt was \$134,910 at February 29, 2008 and \$0 at February 28, 2008.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Department's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Department also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements.

The first column of the financial statements include information about the Department's General Fund, which is the Department's only fund, under the modified accrual method of accounting. The fund financial statements focus on current resources and provide a detailed view of the Department's sources and uses of funds.

Adjustments

The Adjustments columns of the financial statements represent necessary adjustments to convert the modified accrual statements to a government-wide presentation under the full accrual method of accounting.

Government-Wide Financial Statements

The last column of the financial statements presents the government-wide financial statements. This column is designed to give a view of the entity as a whole and provide both long-term and short-term information about the Department's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

Statement of Net Assets

The Statement of Net Assets is the Department-wide statement of financial position presenting information that includes all of the Department's assets and liabilities, with the difference

Lakeview District Fire Department

Management's Discussion and Analysis For the Year Ended February 29, 2008

reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Department and whether the financial condition is improving or deteriorating.

The net assets are divided into three types, including Invested in Capital Assets, Restricted Net Assets, and Unrestricted Net Assets. The net assets reported as invested in capital assets are used to provide services to the residents within the Fire District boundaries, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets, net of related debt, totaled \$243,149 at February 29, 2008 and \$102,618 at February 28, 2007. The unrestricted net assets depicted a fund balance of 35,879 at the end of the 2008 fiscal year and \$143,329 at the end of the 2007 fiscal year. This represents the amount of discretionary resources that can be used for general fire department operations. There were no restricted net assets at February 29, 2008. Total net assets at February 29, 2008 were \$279,028. A summary of the Department's net assets is provided below.

Summary of Net Assets

	February 29, 2008	February 28, 2007
ASSETS		
Cash and cash equivalents	\$ 66,201	\$ 59,365
Prepaid expenses	1,732	83,964
Capital assets, net		
Depreciable	378,059	102,618
Total assets	<u>\$ 445,992</u>	<u>\$ 245,947</u>
LIABILITIES		
Deferred revenue	\$ 32,054	\$ -
Loans payable	134,910	-
	<u>166,964</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	243,149	102,618
Unrestricted	35,879	143,329
Total net assets	<u>279,028</u>	<u>245,947</u>
Total liabilities and net assets	<u>\$ 445,992</u>	<u>\$ 245,947</u>

Lakeview District Fire Department

Management's Discussion and Analysis
For the Year Ended February 29, 2008

Statement of Activities

The Statement of Activities reports how the Department's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The largest source of revenue for the Department is contributions from other local governmental units. During fiscal year 2008, these contributions were \$130,000, or 93% of revenues. This is comparable to the 2007 fiscal year, which reflected contributions from local units of \$137,698, or 90% of total revenues. The largest expenses were for capital outlays of \$304,350, salaries and wages of \$25,993, repairs and maintenance of \$15,234, and insurance and bonds of \$14,069. A summary of the statement of activities follows:

Summary of the Statement of Net Assets

	February 29, 2008	February 25, 2007
REVENUES		
Contribution from local governments	\$ 130,000	\$ 107,697
Charges for services	9,285	12,041
Grant income	-	60,939
Investment earnings	390	-
Miscellaneous	386	2,907
Total revenues	140,061	183,584
EXPENDITURES		
Salaries and wages	25,993	31,124
Fringe benefits	3,827	5,035
Office expense	372	353
Professional services	2,394	1,837
Contracted fire	3,500	3,500
Insurance and bonds	14,069	12,961
Utilities	7,273	5,372
Transportation	2,772	1,389
Repairs and maintenance	15,234	20,910
Training	6,213	2,973
Miscellaneous	2,424	3,399
Depreciation	28,909	14,029
Total expenditures	112,980	102,882
OTHER FINANCING SOURCES		
Gain on sale of capital assets	6,000	-
Change in net assets	33,081	80,702
Net assets at March 1, 2007	245,947	165,245
Net assets at February 29, 2008	\$ 279,028	\$ 245,947

Lakeview District Fire Department

Management's Discussion and Analysis
For the Year Ended February 29, 2008

Modified Accrual Financial Statements

The Department utilizes one fund to account for all of the functions within the Fire Department. The most significant asset of the General Fund at February 29, 2008 was cash and investments of \$66,201. The General Fund's liabilities included deferred revenue of \$32,054, which was due to cash received before the end of the 2008 fiscal year which is to be used to fund the next fiscal year's activities. At the end of the 2008 fiscal year, the General Fund's fund balance was \$35,879.

Budget Highlights

The adopted General Fund budget for February 29, 2008 fiscal year showed planned revenue of \$116,900 and expenditures of \$116,900. The Department made no budget amendments throughout the year. There were several line items which ran over budget. The most significant budget overexpenditure was within the capital outlay line item. This was due to the purchase of two vehicles, a pumper and a tanker, which were bought with an additional contribution from Cato Township, a prior year down payment, and a commercial loan. Other overexpenditures included transportation costs, repairs and maintenance, training, and other small variances.

General Economic Overview

The Lakeview District Fire Department plans to maintain its financial stability over the course of the next fiscal year. The main source of revenue for the Department is contributions from other local units of government, which are expected to remain at about the same level of what was experienced in the current fiscal year. Non-capital related expenditures are expected to remain similar to the 2008 fiscal year. No major capital acquisitions are planned for the 2008-2009 fiscal year.

Requests for Information

If you have any questions concerning this report please contact the Fire Department Treasurer at PO Box 94, Lakeview, MI 48850.

Lakeview District Fire Department

Balance Sheet/Statement of Net Assets

February 29, 2008

	<u>Balance Sheet - Modified accrual</u>		<u>Statement of Net Assets -</u>
	ASSETS		
	General Fund	Adjustments	Full Accrual
Current assets			
Cash and investments	\$ 66,201	\$ -	\$ 66,201
Prepaid expenses	1,732	-	1,732
Total current assets	<u>67,933</u>	<u>-</u>	<u>67,933</u>
Noncurrent assets			
Capital assets, net	-	378,059	378,059
Total assets	<u>\$ 67,933</u>	<u>378,059</u>	<u>\$ 445,992</u>
 LIABILITIES AND FUND BALANCES			
	LIABILITIES		
Current liabilities			
Deferred revenue	\$ 32,054	\$ -	\$ 32,054
Loans payable, due within one year	<u>-</u>	<u>16,706</u>	<u>16,706</u>
Total current liabilities	32,054	16,706	48,760
Loans payable	<u>-</u>	<u>118,204</u>	<u>118,204</u>
Total liabilities	32,054	134,910	166,964
	FUND BALANCE		
Unreserved	<u>35,879</u>	<u>(35,879)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 67,933</u>	<u>99,031</u>	<u>166,964</u>
NET ASSETS			
Invested in capital assets, net of related debt		243,149	243,149
Unrestricted		35,879	35,879
		<u>\$ 279,028</u>	<u>\$ 279,028</u>

The accompanying notes are an integral part of this statement.

Lakeview District Fire Department
Reconciliation of the Balance Sheet of the General Fund
to the Statement of Net Assets
February 29, 2008

Total fund balance—General Fund	\$ 35,879
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	574,918	
Accumulated depreciation	<u>(196,859)</u>	378,059

Long-term liabilities, including leases payable, are not due
and payable in the current period and therefore are not reported
in the governmental funds.

Loans payable	(134,910)
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Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>279,028</u></u>
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The accompanying notes are an integral part of this statement.

Lakeview District Fire Department

Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities

For the year ended February 29, 2008

	Revenues and Expenditures - Modified accrual		Statement of Activities -
	General		Full
	Fund	Adjustments	Accrual
REVENUES			
Contribution from local governments			
Hinton Township	\$ 21,560	\$ -	\$ 21,560
Pine Township	35,200	-	35,200
Cato Township	73,240	-	73,240
Charges for services - fire runs	9,285	-	9,285
Investment earnings	390	-	390
Miscellaneous	386	-	386
Total revenues	<u>140,061</u>	<u>-</u>	<u>140,061</u>
EXPENDITURES			
Salaries and wages	25,993	-	25,993
Fringe benefits	3,827	-	3,827
Office expense	372	-	372
Professional services	2,394	-	2,394
Contracted fire	3,500	-	3,500
Insurance and bonds	14,069	-	14,069
Utilities	7,273	-	7,273
Transportation	2,772	-	2,772
Repairs and maintenance	15,234	-	15,234
Training	6,213	-	6,213
Miscellaneous	2,424	-	2,424
Capital outlay	304,350	(304,350)	-
Depreciation	-	28,909	28,909
Total expenditures	<u>388,421</u>	<u>(275,441)</u>	<u>112,980</u>
Excess of revenues over expenditures	<u>(248,360)</u>	<u>275,441</u>	<u>27,081</u>
OTHER FINANCING SOURCES			
Gain on sale of equipment	-	6,000	6,000
Proceeds from sale of equipment	6,000	(6,000)	-
Proceeds from notes payable	134,910	(134,910)	-
Total other financing sources	<u>140,910</u>	<u>(134,910)</u>	<u>6,000</u>
Net change in fund balances/net assets	(107,450)	140,531	33,081
Fund balances/net assets at March 1, 2007	<u>143,329</u>	<u>102,618</u>	<u>245,947</u>
Fund balances/net assets at February 29, 2008	<u>\$ 35,879</u>	<u>\$ 243,149</u>	<u>\$ 279,028</u>

The accompanying notes are an integral part of this statement.

Lakeview District Fire Department

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the General Fund to the Statement of Activities
For the year ended February 29, 2008

Net change in fund balance - General Fund	\$ (107,450)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(28,909)
Capital outlay	304,350

The issuance of long-term debt, including loans payable, provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds.

The issuance of long-term debt increases long-term liabilities in the Statement of Net Assets	(134,910)
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Change in net assets of governmental activities	\$ <u>33,081</u>
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The accompanying notes are an integral part of this statement.

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

I. Summary of significant accounting policies

The accounting policies of the Lakeview District Fire Department (Department) have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Lakeview District Fire Department.

A. Reporting entity

The Lakeview District Fire Department, located in Montcalm County, was established pursuant to the provisions of Public Act 33 of 1951, the Michigan Fire Protection Act, to administer and serve participating fire districts within Montcalm County. A Joint Fire Authority Agreement was entered into by the townships of Cato, Hinton, and Pine in March of 1992. The Department operates under the direction of an six member board, with two representatives appointed by each participating township. Under the criteria established by accounting principles generally accepted in the United States of America, the Department has determined that there are no component units which should be included in its reporting entity, as it does not have certain oversight responsibilities over other organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Financial statements are also provided for governmental funds, with major individual governmental funds reported as separate columns in the fund financial statements and nonmajor governmental funds combined. The Department has one governmental fund, which is considered a major fund.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Department are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Lakeview District Fire Department reports the following major governmental fund, which is the Department's only fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as needed.

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Department has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Department to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

3. Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed.

Property and equipment of the Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Vehicles	15

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Fire Board treasurer prepares the budget and submits it to the Fire Board prior to January 1. The operating budget includes proposed expenditures and the means of financing them. The budget is approved by a simple majority of the Fire Board. The proposed budget is submitted to participating municipalities, who then appropriate the funds. Prior to the end of the fiscal year, the Fire Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

B. Excess of expenditures over appropriations

For the year ended February 29, 2008, expenditures exceeded appropriations in the following line items (the legal level of budgetary control): office expenses were over by \$22, insurance and bonds by \$69, transportation by \$272, repairs and maintenance by \$4,234, training by \$2,213, miscellaneous expenditures by \$424, and capital outlays by \$274,350. The capital outlay overexpenditures were funded by proceeds from long-term debt, an additional contribution from Cato township, and the use of a down payment made in the previous fiscal year. The remaining overexpenditures were funded by lower than anticipated expenditures in other line items.

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

III. Detailed notes on all funds

A. Deposits and investments

As of February 29, 2008, the Department had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	Weighted average maturity <u>Months</u>	<u>Percent</u>
Certificates of deposit	\$15,588	Not rated	12	100%

Interest Rate Risk

The Department has a formal investment policy, but the policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Department's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Department Fire Board places no limit on the amount that the Department may invest in any one issuer.

Custodial Credit Risk – Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. State law does not require, and the Department does not have, a deposit policy for custodial credit risk. As of February 29, 2008, all of the Department's deposits and investments of \$66,201 were insured by federal depository insurance,

Foreign currency risk

The Department is not authorized to invest in securities which have this type of risk.

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

B. Capital assets

Capital asset activity for the year ended February 29, 2008 was as follows:

	Balance March 1, 2007	Additions	Deletions	Balance February 29, 2008
Governmental activities				
Capital assets, being depreciated				
Buildings and improvements	\$ 10,400	-	-	\$ 10,400
Vehicles	290,168	304,350	30,000	564,518
Total capital assets, being depreciated	300,568	304,350	30,000	574,918
Less: accumulated depreciation	197,950	28,909	30,000	196,859
Total capital assets, net	<u>\$ 102,618</u>	<u>\$ 275,441</u>	<u>\$ -</u>	<u>\$ 378,059</u>

C. Deferred revenue

Governmental funds report deferred revenue for resources that have been received, but not yet earned. As of February 29, 2008, the Township's deferred revenue was \$32,054, which represents contributions received from other governmental entities that support the following fiscal year.

D. Long-term debt

The following is a summary of long-term debt liability activity for the Department for the 2008 fiscal year:

	Balance March 1, 2007	Additions	Reductions	Balance February 29, 2008	Due within one year
Governmental activities					
Loans payable	\$ -	\$ 134,910	\$ -	\$ 134,910	\$ 16,706

Long-term debt at February 29, 2008 consisted of the following:

Governmental activities:

Loans payable; due in annual installments of \$23,249 through May of 2014; interest at 4.85%	\$ 134,910
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The loans payable are backed by the full faith and credit of the Department.

Lakeview District Fire Department

Notes to the Financial Statements

February 29, 2008

Annual debt service requirements for debt outstanding as of February 29, 2008 is as follows:

Year ending February 29,	Governmental activities	
	Principal	Interest
2009	\$ 16,706	\$ 6,543
2010	17,517	5,733
2011	18,366	4,883
2012	19,257	3,993
2013	20,191	3,059
2014-2015	42,873	3,132
	<u>\$ 134,910</u>	<u>\$ 27,343</u>

E. Other information

Risk management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Required supplementary information

Lakeview District Fire Department

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the year ended February 29, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
REVENUES	Original	Final	Actual	
Contribution from local governments				
Hinton Township	\$ 21,560	\$ 21,560	\$ 21,560	\$ -
Pine Township	35,200	35,200	35,200	-
Cato Township	53,240	53,240	73,240	20,000
Charges for services - fire runs	6,900	6,900	9,285	2,385
Investment earnings	-	-	390	390
Miscellaneous	-	-	386	386
Total revenues	<u>116,900</u>	<u>116,900</u>	<u>140,061</u>	<u>23,161</u>
EXPENDITURES				
Salaries and wages	28,750	28,750	25,993	2,757
Fringe benefits	5,000	5,000	3,827	1,173
Office expense	350	350	372	(22)
Professional services	2,800	2,800	2,394	406
Contracted fire	3,500	3,500	3,500	-
Insurance and bonds	14,000	14,000	14,069	(69)
Utilities	10,000	10,000	7,273	2,727
Transportation	2,500	2,500	2,772	(272)
Repairs and maintenance	11,000	11,000	15,234	(4,234)
Training	4,000	4,000	6,213	(2,213)
Miscellaneous	2,000	2,000	2,424	(424)
Uniforms	2,500	2,500	-	2,500
Capital outlay	30,000	30,000	304,350	(274,350)
Contingency	500	500	-	500
Total expenditures	<u>116,900</u>	<u>116,900</u>	<u>388,421</u>	<u>(271,521)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(248,360)</u>	<u>(248,360)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of equipment	-	-	6,000	6,000
Proceeds from notes payable	-	-	134,910	134,910
	<u>-</u>	<u>-</u>	<u>140,910</u>	<u>140,910</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	(107,450)	\$ <u>(107,450)</u>
Fund balance at March 1, 2007			<u>143,329</u>	
Fund balance at February 29, 2008			\$ <u><u>35,879</u></u>	

August 25, 2008

Fire Department Board
Lakeview District Fire Department
Lakeview, Michigan

In planning and performing my audit of the financial statements of the governmental activities of the Lakeview District Fire Department as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Lakeview District Fire Department's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, I do not express an opinion on the effectiveness of the Department's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

SIGNIFICANT DEFICIENCIES

Recommendation 1: The Department should approve a final budget to actual financial statement

While examining the board minutes, I noted that the Department did not approve a final budget to actual report as of the end of the fiscal year. I would recommend that a final comparison of budgeted to actual revenues and expenditures be prepared and approved each year. The Department should utilize this report to ensure that what was expected actually occurred. Furthermore, a comparison of budget to actual at the end of the year can assist with planning for the next fiscal year.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I believe that the following deficiencies constitute material weaknesses:

MATERIAL WEAKNESSES

Recommendation 2: The Department should maintain a complete trial balance, including cash, other assets, liabilities and fund balance.

During my examination, I noted that the Department does not maintain a fully adjusted trial balance. The Department has a check register, which is separate from the revenue and expense ledger. I also noted several instances in which the checks recorded in the check register were different than the amounts recorded in the general ledger. A full trial balance is required in order to ensure that all financial transactions are accounted for properly and financial records are balanced. Furthermore, a fully adjusted trial balance will help to mitigate errors in a manual accounting system.

Recommendation 3: The Department should assign a person who is independent of the banking responsibilities the task of performing bank reconciliations for each bank account on a monthly basis and balance the reconciliation to the treasurer's bank register and trial balance.

During my testing of the banking process, I noted that bank reconciliations were not being performed on a regular basis and the register balance was not compared to the general ledger. There were also three miscellaneous receipts which were not recorded in the general ledger, but were recorded in the check register. I also noted that bank interest was missing from the general ledger. The reconciling of the check register to the bank statements and general ledger is an essential part of a full accounting system and could assist the Department in checking for completeness in the financial recording process.

This communication is intended solely for the information and use of management, the Fire Department Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
August 25, 2008



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August 25, 2008

Fire Department Board
Lakeview District Fire Department
Lakeview, Michigan

I have audited the financial statements of the governmental activities of the Lakeview District Fire Department for the year ended February 29, 2008, and have issued my report thereon dated August 25, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated May 25, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in my meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lakeview District Fire Department are described in Note I to the financial statements. No new accounting policies have been adopted and the application of existing policies was not changed during the 2008 fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated August 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there are no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses are not a condition to my retention.

Comments and Recommendations

During my examination, I noted that the Department does not maintain a fully adjusted trial balance, which should include assets, liabilities, and fund balance. The Department has a check register, which is separate from the revenue and expense ledger. I would recommend that the Department utilize a full trial balance with all assets and liabilities of the General Fund accounted for. This is necessary to ensure that all financial transactions are accounted for and approved by the board at regular meetings.

I would recommend that the Department maintain bank reconciliations for each bank account on a monthly basis. Furthermore, I recommend that a person who does not have banking responsibilities reconciled the bank account and balance the reconciliation to the treasurer's bank register and trial balance. I was unable to verify that bank statements were performed on a timely basis each month. The reconciling of the check register to the bank statements is an essential part of a full accounting system and could assist the Department in checking for completeness in the financial recording process.

I noted during my testing of expenditures, four instances in which the checks recorded in the check register were different than the amounts recorded in the general ledger. A fully adjusted trial balance and monthly bank reconciliations would reduce this error.

During my review of revenues and bank statements, I noted that the general ledger did not include interest income of \$580.95 and three miscellaneous receipts totaling \$126.46. The Department should record all transactions in the general ledger and balance the revenue and expenditures to the bank accounts on a monthly basis.

While examining the board minutes, I noted that the Department did not approve a final budget to actual report as of the end of the fiscal year. I would recommend that a final comparison of budgeted to actual revenues and expenditures be prepared and approved each year. The Department should utilize this report to ensure that what was expected actually occurred and should use this review to plan for the next fiscal year.

During my review of budgeted to actual expenditures, I found several instances in which the budget was not amended prior to overspending. Governmental entities are required to amend their budgets before they spend more than they have planned.

This information is intended solely for the use of the Board of Trustees and management of the Lakeview District Fire Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lake Michigan CPA Services, PLLC

August 25, 2008